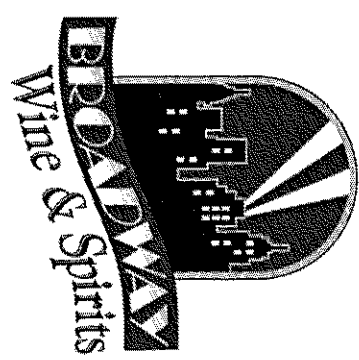


Testimony of Michael Scalise

Connecticut Retailer



Testimony of David M. Ozgo, Chief Economist, Distilled Spirits Council of the United States

Before the Competitive Alcohol Liquor Pricing Task Force

Hartford Connecticut, September 12, 2012

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- 4) Comparing Connecticut sales volumes to surrounding states, shows that Connecticut conservatively loses an estimated 12% of spirits, 15% of wine and 16% of beer volumes, valued at over \$200 million in retail revenue. These sales would have generated over \$20 million in excise and sales taxes.

Beverage alcohol consumption levels tend to be driven by local cultural norms. Thus, barring any dramatic demographic differences, nearby states will generally have similar levels of per capita consumption. The table below shows average per capita gallons across the Connecticut area. Since New Hampshire is known to attract out-of-state shoppers with state mandated low prices, New Hampshire volumes were included as well.

State	Adult Per Capita Gallons			Adult Population	2010 Gallons		
	Spirits	Wine	Beer		Spirits	Wine	Beer
Connecticut	2.41	4.89	21.97	2,615,000	6,309,780	12,755,849	57,469,661
Massachusetts	2.32	5.70	26.32	4,865,000	11,255,036	27,674,601	127,800,183
Rhode Island	2.48	4.74	27.48	770,000	1,908,276	3,647,711	21,166,295
New York (Metro)	2.47	5.17	22.48	7,612,921	18,795,071	39,358,367	171,173,082
New Hampshire	5.24	6.61	44.17	954,000	4,998,960	6,308,316	42,140,591
Population				16,806,921	43,267,123	89,744,847	419,739,812
Avg. Gal./Adult					2.57	5.34	24.97

Subtracting the regional average volume levels for spirits, wine and beer reveals per capita "deficits" of 0.16 gallons of spirits, 0.46 gallons of wine and 3.00 gallons of beer. Multiplying these figures by the Connecticut adult population shows that Connecticut has a sales deficit of 422 thousand gallons of spirits, 1.2 million gallons of wine and 7.8 million gallons of spirits.

Section Comments: Michael Scalise

In the above table titled "Calculation of Regional Volume Averages" DISCUS has used our *three* border states to calculate their projected *deficits* which are defined below their illustration for the state of Connecticut. They also have chosen to use the state of *New Hampshire*, as they believe it pulls shoppers from other states, although it is *not an actual border* state or an open market state but a state operated retailer. You will notice on the table that although DISCUS felt compelled to include the state of *New Hampshire* they neglected to include the *entire* state of *New York*, as New York is tagged (Metro) in their illustration. Not including the state of New York and only the per capita consumption of the New York (Metro) area caused us to review their findings. We also could not recognize why DISCUS would choose to leave out the largest segment of New York State as it makes up our entire western border.

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Calculation of Regional Volume Averages							
State	Adult Per Capita Gallons	Adult Population	2010 Gallons				
	Spirits	Wine	Beer	Spirits	Wine	Beer	
Connecticut	2.41	4.88	21.97	6,309,780	12,755,849	57,459,661	
Massachusetts	2.32	5.70	26.32	11,255,036	27,674,601	127,800,183	
Rhode Island	2.46	4.74	27.49	1,908,276	3,847,711	21,166,295	
New York (Metro)	2.47	5.17	22.48	18,795,071	39,358,367	171,173,082	
New Hampshire	5.24	6.61	44.17	4,998,960	6,308,318	42,140,591	
Population				16,806,921	43,267,123	89,744,847	
Avg. Gal./Adult				2.57	5.34	24.97	

The following "Calculation of Regional Volume Averages" was created using the "State" of New York's per capita consumption including the New York (Metro) area while removing the State operated sales of New Hampshire which is not a border state to Connecticut.

Calculation of Regional Volume Averages							
State	Adult Per Capita Gallons			Adult Population	2010 Gallons		
	Spirits	Wine	Beer		Spirits	Wine	Beer
Connecticut	2.41	4.88	21.97	2,615,000	6,309,780	12,755,849	57,459,661
Massachusetts	2.32	5.70	26.32	4,865,000	11,255,036	27,674,601	127,600,183
Rhode Island	2.48	4.74	27.49	770,000	1,908,276	3,647,711	21,166,295
New York (State)	1.96	4.26	22.48	14,198,404	27,867,000	60,477,000	319,177,000
Population				22,438,404	47,340,092	104,555,161	525,603,139
Avg. Gal./Adult					2.11	4.66	23.42

**Section Comments:** Michael Scalise

As you can now view in the revised table above the “state” of New York was not *completely* represented in the original calculations by DISCUS. The New York (Metro) area is the largest metropolitan district in the United States. When selectively singled out to represent New York’s per capita consumption the select New York (Metro) area raises the true consumption levels of our border state of New York. This limited focus helps to build on the *false* deficit projection of consumption by DISCUS for the state of Connecticut. The New York (Metro) area was selectively chosen to make Connecticut seem lower in comparison which is *not accurate and misleading*. You will find that New York’s level of consumption is much different when it is factored as the “state” of New York.

As our largest border state the largest segment of New York’s border is not solely New York City. New York’s many communities along our border resemble the towns and places of Connecticut and should have been factored in to the original table and averages. We believe the New York (Metro) area and the state of *New Hampshire*, which is not a bordering state of Connecticut, were chosen for the purpose of inflating the *exaggerated and misleading* projections illustrated in the original tables from DISCUS.

**Original “Calculation of Regional Volume Averages” from DISCUS**

Calculation of Regional Volume Averages							
State	Adult Per Capita Gallons			Adult Population	2010 Gallons		
	Spirits	Wine	Beer		Spirits	Wine	Beer
Connecticut	2.41	4.88	21.97	2,615,000	6,309,780	12,755,849	57,459,661
Massachusetts	2.32	5.70	26.32	4,865,000	11,255,036	27,674,801	127,800,183
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New Hampshire	5.24	6.61	44.17	954,000	4,998,960	6,308,318	42,140,591
Population				16,806,921	43,267,123	89,744,847	419,739,812
Avg. Gal./Adult					2.57	5.34	24.97

### Original "Deficit Projections" from DISCUS

Subtracting the regional average volume levels for spirits, wine and beer reveals per capita "deficits" of 0.16 gallons of spirits, 0.46 gallons of wine and 3.00 gallons of beer. Multiplying these figures by the Connecticut adult population shows that Connecticut has a sales deficit of 422 thousand gallons of spirits, 1.2 million gallons of wine and 7.8 million gallons of spirits.

Section Comments: Michael Scalise

### Revised "Calculation of Regional Volume Averages" M.S

Calculation of Regional Volume Averages					2010 Gallons		
State	Adult Per Capita Gallons			Adult Population	2010 Gallons		
	Spirits	Wine	Beer		Spirits	Wine	Beer
Connecticut	2.41	4.88	21.97	2,615,000	6,309,780	12,755,849	57,459,661
Massachusetts	2.32	5.70	26.32	4,865,000	11,255,036	27,674,601	127,800,183
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New York (State)	1.96	4.26	22.48	14,198,404	27,867,000	60,477,000	319,177,000
Population				22,438,404	47,340,092	104,555,161	525,603,139
Avg. Gal./Adult					2.11	4.66	23.42

### Revised "Projections" M.S

Subtracting the regional average volume levels for spirits, wine and beer reveals per capita "Surpluses" of .30 gallons of spirits, "Surpluses" of .22 gallons of wine and a deficit of 1.45 gallons of beer. Multiplying these figures by the Connecticut adult population shows that Connecticut has a "Sales Surplus" of 784,500 gallons of spirits, an additional surplus of 575,300 gallons of wine, and a deficit only in the category of beer which totals 3,791,750 gallons.

Connecticut also Ranks #2 in total spirit consumption falling behind only Rhode Island by .07<sup>th</sup> of a gallon. Connecticut also ranked #2 in wine consumption falling behind Massachusetts by .82 of a gallon.

### How our Findings Were Calculated

Calculation of Regional Volume Averages							
State	Adult Per Capita Gallons			Adult Population	2010 Gallons		
	Spirits	Wine	Beer		Spirits	Wine	Beer
Connecticut	2.41	4.88	21.97	2,615,000	6,309,780	12,755,849	57,459,661
Massachusetts	2.32	5.70	26.32	4,855,000	11,255,036	27,674,601	127,800,183
Rhode Island	2.48	4.74	27.49	770,000	1,908,276	3,647,711	21,166,295
New York (State)	1.96	4.26	22.48	14,198,404	27,867,000	60,477,000	319,177,000
Population				22,438,404	47,340,092	104,555,161	525,603,139
Avg. Gal./Adult					2.11	4.66	23.42

### Section Comments: Michael Scalise

The red values in the above table represent the "complete" consumption data of the entire "state" of New York for spirits, wine and beer. These totals were sourced from the consumption data tables of the NIAAA website listed in the attached documents. You will notice that the consumption data from the NIAAA is on par with the consumption data represented in the above table from all the other states originally factored in by DISCUS. That original data still remains in black.

The population counts were estimates collected from the 2010 Census for people at the adult drinking age of 21 and over. We did not use the population based docile from the NIAAA in the attached documents example because it factors in the population from 14 years old and above.

*The Gallon consumption was all that was sourced from the NIAAA data.*

We then used the data from the U.S Census Bureau to estimate the adult drinking age of the state of New York 21 years and older. The census data only listed the age groups from bracket years of 20-24 years of age. We took that total population of **1,410,935** for the ages of 20-24 and divided it by 5 to create an average estimate for each age group totaling **282,187** people. Ex: Ages 20, 21, 22, 23, 24.

We then multiplied that average by 4 to leave us with a total of **1,128,748** for 21 -24 years of age.

This estimate was applied to all the DISCUS population estimates of the other states and was on par with their averages.

After adding the total of **1,128,748 million** estimated between the ages of 21-24 we then added all the other age groups totaling **14,198,404** as the population of New York 21 and older in 2010.

*Please Note the attached Documents*

Screen Snippet from the NIAAA

National Institute on Alcohol abuse and Alcoholism.

Data for all states consumption was verified through this segment.

New York's total consumption was sourced from this segment

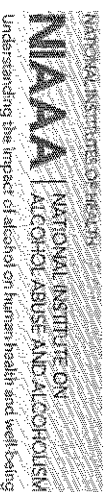


Table 2. Apparent alcohol consumption for States, census regions, and the United States, 2010.  
[Volume and ethanol in thousands of gallons, per capita consumption in gallons, based on population age 14 and older]

State or other geographic area	Beer			Wine			Spirits			All beverages		
	Volume	Ethanol	Per capita	Volume	Ethanol	Per capita	Volume	Ethanol	Per capita	Ethanol	Per capita	U.S. decile
Connecticut	57,779	2,660	0.88	13,878	1,790	0.60	5,293	2,586	0.87	6,976	2.36	5
Massachusetts	126,541	5,694	1.04	26,297	3,392	0.62	11,254	4,625	0.84	13,712	2.50	4
Rhode Island	22,050	992	1.12	3,648	471	0.53	2,002	823	0.83	2,286	2.58	3
New York	319,177	14,353	0.89	60,477	7,802	0.48	27,967	11,453	0.71	33,618	2.09	8

Screen Snippet from U.S. Census Bureau Data for New York State

Used in population estimates for New York's per capita consumption.

NY - New York			
Age / Sex			
Total Businesses: 519,504   Total Population: 19,375,102			
LABEL			VALUE
Male			9,377,147
Female			10,000,955
Under 18			4,324,829
18 and over			15,050,173
20-24			1,410,935
25-34			2,859,337
35-49			4,068,780
50-64			3,728,596
65 & over			2,617,943
Zoom In   Expand   Print			